

LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2017

TUESDAY, MARCH 8, 2016

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 3:04 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Shelley Moore Capito (chairman) presiding.

Present: Senators Capito and Schatz.

CONGRESSIONAL BUDGET OFFICE

STATEMENT OF DR. KEITH HALL, DIRECTOR

OPENING STATEMENT OF SENATOR SHELLEY MOORE CAPITO

Senator CAPITO. I think what we have decided to do is I will go ahead and give my opening statement, and then when the Senator arrives, we will move on. So good afternoon. The subcommittee will come to order. I would like to welcome everyone to the second of our fiscal year 2017 budget hearings for the various agencies under the jurisdiction of the Legislative Branch Appropriations Subcommittee.

Today, we have with us the Director of the Congressional Budget Office, Dr. Keith Hall, welcome; and the head of the Government Accountability Office, the GAO, Mr. Gene Dodaro. Welcome.

I appreciate the willingness of the witnesses to appear before the subcommittee today and look forward to your testimony.

I would like to start by welcoming Dr. Hall to his first hearing before this subcommittee. Other than being the ninth director of the CBO, your resume boasts more than 25 years of public service. I hope you are settling in to the critical role that you now play, and I look forward to any initial assessments that you may have of your office and that you may be able to share with us after a year of being in that office.

The total Congressional Budget Office request for fiscal year 2017 is \$47.6 million or a \$1.1 million increase of 2.4 percent above the enacted level in 2016. This funding request supports the current full-time equivalent (FTE) level of 235 plus an additional 3 FTE, devoted to analyzing Federal tax and spending policies, as well as for health-related work.

The total GAO budget request for fiscal year 2017 is \$567.8 million, or a \$36.8 million or 7 percent increase above the fiscal year 2016 enacted level. This funding request supports an increase in

FTEs from 3,005 to 3,100, which would continue progress towards GAO's multiyear plan to rebuild its staff capacity to an optimal level of 3,250 FTEs.

I believe everyone in this room is keenly aware that we are continuing to operate in a flat budget environment. Although a budget agreement was reached last year that provided a slight increase in total discretionary spending, that agreement increases all non-defense discretionary funding by only \$40 million in fiscal year of 2017.

Since funding for our legislative branch agencies is approximately 80 percent personnel, the growth in salaries and benefits is quickly outpacing the growth in appropriated funds. Can we continue to keep asking our support agencies to do more with less or should Congress adjust its requirements to fit within the funding available? I look forward to exploring this question through the context of your agencies' requests.

Before we go any further, I would like to take a moment to recognize Janet Airis with the Congressional Budget Office. Are you here? You do not look like you have been working 32 years anywhere.

[Laughter.]

Janet started her career as an analyst at CBO's Scorekeeping Unit, which tracks every appropriations bill, and soon became a star, eventually leading that unit for more than half of her tenure. Often working under exceptionally tight deadlines at all hours of the day and night, Janet did whatever was necessary to meet the needs of this committee, providing us with estimates and answering our questions always with grace and professionalism.

Janet has set a wonderful example of the dedication to public service that is critical to the Senate's work. The Appropriations Committee thanks you deeply for your service. We will miss you.

And now I would like to turn to my ranking member, Senator Schatz, for any opening remarks he would like to make.

STATEMENT OF SENATOR BRIAN SCHATZ

Senator SCHATZ. Thank you, Chairman Capito.

I am pleased to be here and thankful that we are moving forward with our second hearing on the Legislative Branch Subcommittee. I would like to welcome Dr. Keith Hall, Director of CBO, and Comptroller General Gene Dodaro of GAO.

Dr. Hall, this is your first budget hearing on the Senate side with us as the Director of CBO, and we understand that before CBO you served as the chief economist at the Office of the United States Trade Representative (USTR). You bring 25 years of experience as a public servant, and I look forward to working with you and learning from your wide breadth of experience and expertise.

Mr. Dodaro, we have worked together before. I appreciate the great work of your organization and your leadership of it.

As we all know, the budget caps are flat between this year and the next, and yet almost all of the budget requests within the legislative branch are for increases in fiscal year 2017, so this makes it that much more important for us to conduct our oversight responsibility.

I am glad to have our esteemed witnesses here, who have consistently provided accurate and authoritative information to the Congress. We highly value your guidance as we make these tough funding decisions and conduct robust oversight. I look forward to our discussion.

Thank you, Chairman Capito.

Senator CAPITO. And with that, I would like to ask the witnesses, beginning with Dr. Keith Hall, to give a brief opening statement of approximately 5 minutes. As you know, the written testimony of each witness will be printed in full in the hearing record.

Welcome, Dr. Hall.

SUMMARY STATEMENT OF DR. KEITH HALL

Dr. HALL. Thank you. Madam Chairman, Ranking Member Schatz, and members of the subcommittee, thank you for the opportunity to present the Congressional Budget Office's budget request.

The Congressional Budget Act of 1974 instituted a formal process through which the Congress could develop, coordinate, and enforce its own budget priorities and created legislative institutions to implement the new congressional budget process. To fulfill its mission to serve Congress, CBO does a variety of things. We analyze trends and recent developments related to Federal spending and revenues; We prepare projections of budgetary and economic outcomes for the coming decade and reports describing them; We estimate the cost of legislative proposals; We examine the effects of the President's budgetary proposals and numerous alternative policy choices for the budget and the economy; We conduct policy studies of governmental activities that have significant budgetary and economic impacts; and We provide testimony on a broad range of budget and economic issues.

In 2015, for example, CBO produced multiple budget projections and economic forecasts, several hundred formal cost estimates and mandate statements, thousands of informal estimates, and more than 100 "scorekeeping" tabulations for appropriation acts. In addition, the agency released several dozen analytical reports and working papers.

In carrying out its mission of serving the Congress during 2016 and 2017, CBO will focus on meeting three goals: We will aim to continue to provide the Congress with budget and economic information that is objective, insightful, and timely. We will strive to continue to present and explain the methodology and results of CBO's analyses clearly and pursue opportunities to enhance the transparency of the agency's work. And we will seek to continue to improve CBO's internal management.

CBO is asking for appropriations of \$47.6 million for fiscal year 2017. That amount represents an increase of \$1.1 million, or 2.4 percent, from the \$46.5 million provided to CBO for 2016. About one-third of the requested increase, \$391,000, would fund three new full-time equivalent positions, which would boost the agency's staffing from 235 to 238 FTEs. The additional positions would be devoted to analyzing health care issues and the economic effects of Federal tax and spending policies (including the "dynamic analysis" of certain legislation, as required by the budget resolution).

Interest in modifying or replacing the Affordable Care Act and considering changes to Medicare or Medicaid remains high, and CBO expects to devote considerable attention to further developing its capacity to conduct dynamic analysis in the coming year. Additional resources to address those needs would be helpful in producing, documenting, and explaining CBO's work in those areas.

The remaining \$746,000 (accounting for an increase of 1.6 percent) would fund ongoing operations, driven largely by increased cost of pay and benefits. Of the requested funding for 2017, 91 percent would support pay and benefits, 6 percent would be for information technology, and 3 percent would go towards purchases of data, training, office supplies, and other items.

In our budget request this year, we have requested two changes to administrative provisions aimed at increasing our ability to attract and retain highly capable staff. The first involves hiring employees with non-immigrant visas. This provision would authorize CBO to hire foreign nationals who have special skills and hold non-immigrant visas. Until 2010, we had the authority to hire foreign nationals from countries that were allies of the United States, and we hired a small number of them.

In the past several years, CBO has struggled to fill crucial Ph.D. economist positions with people having skills in econometrics and financial modeling. However, the agency's options are limited because citizens and permanent residents constitute slightly fewer than half of recent graduates from Ph.D. economics programs in the United States. Expanding the pool of candidates to include foreign nationals with non-immigrant visas would help us fill some of those key positions with highly skilled people.

The second involves authorization for senior positions. CBO faces considerable competition in attracting and retaining highly educated and skilled employees. Currently, legislative branch entities, including the Congressional Research Service and the Government Accountability Office, and many executive branch agencies, including the Office of Management and Budget, have senior-level positions, Senior Executive Service positions, or both. This provision would permit CBO to establish positions that are comparable to those positions in those agencies and enhance the agency's ability to attract and retain highly skilled analysts and managers.

In closing, I would like to thank the Committee for the support it has provided CBO over the years, enabling the agency to provide timely, carefully thought-out nonpartisan budgetary and economic analysis to the Congress as it addresses the critical issues facing the Nation.

[The statement follows:]

PREPARED STATEMENT OF DR. KEITH HALL

Madam Chairman, Ranking Member Schatz, and members of the subcommittee, thank you for the opportunity to present the Congressional Budget Office's budget request. CBO is asking for appropriations of \$47.6 million for fiscal year 2017. That amount represents an increase of \$1.1 million, or 2.4 percent, from the \$46.5 million provided to CBO for 2016.

About one-third of the requested increase, \$391,000, would fund three new full-time-equivalent positions (FTEs), which would boost the agency's staffing from 235 to 238. The additional FTEs would be devoted to analyzing healthcare issues and the economic effects of Federal tax and spending policies (including the "dynamic analysis" of certain legislation, as required by the budget resolution). Interest in

modifying or replacing the Affordable Care Act and considering changes to Medicare or Medicaid remains high, and CBO expects to devote considerable attention to further developing its capacity to conduct dynamic analysis in the coming year. Additional resources to address those needs would be helpful in producing, documenting, and explaining CBO's work in those areas.

The remaining \$746,000 (accounting for an increase of 1.6 percent) would fund ongoing operations, covering an increase of \$807,000 in pay and benefits partly offset by a decrease of about \$61,000 in nonpay expenditures. The proposed increase in pay and benefits reflects small increases in average pay and rising costs of benefits. The decrease in nonpay expenditures derives mostly from holding spending on information technology (IT) to the same amount that has been provided in 2016.

Of the requested funding for 2017, 91 percent would support pay and benefits, 6 percent would be for IT, and 3 percent would go toward purchases of data, training, office supplies, and other items.

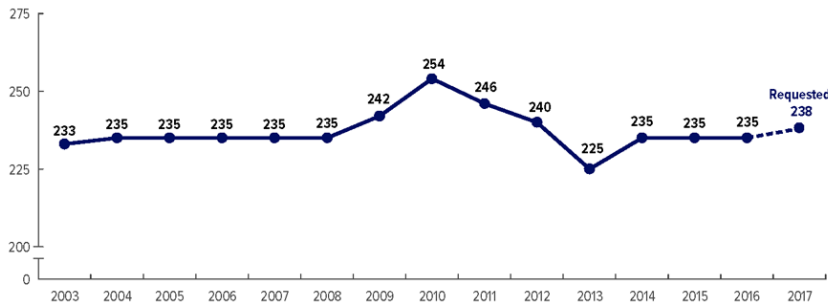
CBO'S FUNDING HISTORY AND ITS EFFECTS ON STAFFING AND OUTPUT

Because such a large share of CBO's budget represents compensation, the contours of the agency's budget and staffing levels have been and will continue to be closely linked.

Between fiscal years 2003 and 2008, the number of authorized FTEs at CBO held between 233 and 235 (see Figure 1). During that period, CBO's budget generally rose slowly, as Federal employees received salary increases and the cost of Federal benefits increased. For fiscal years 2009 and 2010, the Congress approved larger increases in CBO's budget to support a step-up in staffing. That step-up was intended primarily to increase the agency's ability to analyze potential changes in Federal healthcare policy while maintaining its capacity to provide cost estimates and reports on other topics. CBO had sufficient funding for 254 FTEs in 2010.

Figure 1.

FTEs Authorized for Fiscal Years 2003 Through 2017



FTE = full-time-equivalent position.

For fiscal year 2016, no specific number of FTEs was authorized. The number shown is consistent with the funding provided.

The increase in staffing enabled CBO to conduct analyses of some particularly complex issues and to provide substantially more estimates and other analyses to the Congress. With the larger staff, CBO was able to, among other things, significantly expand healthcare analysis, substantially enhance financial analysis, considerably improve modeling of the economic effects of Federal tax and spending policies, issue several reports with options for changing Federal benefit programs, make significant gains in the transparency of the agency's analysis, and continue to produce high-quality cost estimates for legislation and analyses of numerous other topics.

However, constraints on CBO's funding (following from constraints on discretionary appropriations as a whole) caused the agency's staffing to shrink in fiscal years 2011 through 2013. The agency's appropriation for 2013 was well below the amounts provided during the preceding year (see Figure 2). Those cuts, combined with small increases in average pay and rising costs of benefits and other items during those years, required a drop in the number of FTEs to only 225 in 2013, the lowest level in more than a dozen years. In addition, the agency had to defer critical purchases of IT equipment and services and other items.

Figure 2.

Funding for Fiscal Years 2012 Through 2017

Millions of dollars



CBO's appropriation for 2014 was significantly larger than the one for 2013, and the appropriation for 2015 equaled the amount provided in 2014. Accordingly, the agency sharply increased its recruiting in order to return to its traditional level of staffing at 235 FTEs as quickly as possible and to catch up on deferred IT purchases. As a result, staffing stood at about 233 FTEs at the end of fiscal year 2015, and it is expected to be at that number or higher by the end of this year. CBO's funding for fiscal year 2016, which represented a 1.8 percent increase over the 2015 appropriation, will allow the agency to maintain current operations and to end the fiscal year with approximately 235 FTEs.

CBO'S FUNDING REQUEST AND ITS CONSEQUENCES FOR STAFFING AND OUTPUT

In fiscal year 2017, CBO will continue its mission of providing objective, insightful, timely, and clearly presented budgetary and economic information to the Congress. The requested amount of funding—\$47.6 million—would allow CBO to fulfill its mission and provide the following estimates and other analyses to the Congress:

- More than 600 formal cost estimates, most of which will include not only estimates of Federal costs but also assessments of the cost of mandates imposed on State, local, and tribal governments or the private sector;
- Thousands of preliminary, informal cost estimates, the demand for which is very high as committees seek to have a clear picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;
- More than 100 scorekeeping tabulations, including account-level detail for individual appropriation acts at all stages of the legislative process and summary tables showing the status of discretionary appropriations (by appropriations subcommittee) and running totals on a year-to-date basis;
- Three sets of detailed 10-year baseline budget projections and two sets of 10-year economic projections, as well as long-term budget projections (spanning 30 years), documented with numerous files of data posted on CBO's Web site; and
- More than 90 analytical reports and other publications—generally required by law or prepared in response to requests from the Chairmen and Ranking Members of key committees—about the outlook for the budget and the economy, major issues affecting that outlook under current law, the budgetary effects of policy proposals that could change the outlook, and a broad array of related budget and economic topics, ranging from defense policy to infrastructure to energy policy.

Despite high productivity by a dedicated staff, CBO expects that that anticipated volume of estimates and other analyses will fall considerably short of the number of congressional requests. The demands on the agency remain intense: The Congress continues to be acutely interested in analyses of the Affordable Care Act and numerous proposals for further changes in Federal healthcare programs; and the now-re-

quired dynamic analyses of how certain legislative proposals would affect the economy and how those economic effects would, in turn, affect the Federal budget require complex modeling. Other issues arise frequently and create a heavy workload—including, for example, ones surrounding the Highway Trust Fund, immigration, defense authorization bills, farm legislation, unemployment benefits, trade agreements, trade adjustment assistance, and reform of the Postal Service. Analyzing the possibilities and proposals has strained the agency's resources in many areas. CBO regularly consults with committees and congressional leadership to ensure that its resources are focused on the work that is of highest priority to the Congress.

The requested funds would be used as follows:

- \$32.2 million for pay of personnel—an increase of \$918,000 (3 percent) over the amount that will be spent in fiscal year 2016. The increase would cover \$0.3 million in pay for the additional FTEs, as well as performance-based salary increases for current staff and an across-the-board increase of 2.6 percent for employees making less than \$100,000 (if such an increase is authorized for executive branch agencies).
- \$11.0 million for benefits of personnel—an increase of \$280,000 (3 percent) relative to the amount projected to be spent in 2016, to fund an increase in the cost of Federal benefits as well as the benefits for the three added staff members.
- \$4.3 million for other purposes—a decrease of \$61,000 (1 percent) from the amount appropriated in 2016. The funds would go toward purchases of IT, data, training, and other items. The decrease for 2017 is possible mostly because funding in fiscal years 2014 and 2015 allowed CBO to catch up on deferred IT purchases and to make some purchases that reduced future needs.

In closing, I would like to thank the subcommittee for the support it has provided CBO over many years, enabling the agency to provide timely, carefully thought-out nonpartisan budgetary and economic analysis to the Congress as it addresses the critical issues facing the Nation.

This testimony summarizes information in CBO's budget request for fiscal year 2017, which was prepared by Mark Smith, with contributions from Joseph E. Evans, Jr., Mark Hadley, Jeffrey Kling, Deborah Kilroe, Cierra Liles, Terry Owens, Caryn Rotheim, Stephanie Ruiz, John Skeen, and Robert Sunshine. The testimony is available on CBO's website at www.cbo.gov/publication/51289.



Keith Hall
Director



Senator CAPITO. Next, we will have Mr. Gene Dodaro, who is the head of the GAO. Welcome.

GOVERNMENT ACCOUNTABILITY OFFICE

STATEMENT OF HON. GENE DODARO, COMPTROLLER GENERAL

Mr. DODARO. Thank you very much. Good afternoon, Chairman Capito, Ranking Member Schatz.

First, I want to thank the subcommittee for its support of GAO and provide a report on what we have returned for your investment in us.

Last fiscal year, as a result of GAO's recommendations being implemented, there were over \$74 billion in financial benefits derived to the Federal Government. That is \$134 back for every \$1 invested in GAO. In addition 80 percent of our recommendations have been implemented.

We also achieved over 1,200 program and operational improvements, across the Federal Government. These improved the efficiency, economy, and effectiveness of the Federal Government's programs.

We were instrumental in helping the Congress with major legislation last year. As a result of GAO's recommendations, over \$30 billion was included in the Bipartisan Budget Act. This helped offset the need for sequestration and helped the Congress stay under the discretionary caps in what I would say is a smart way. The targeted savings did not have any unintended consequences on programs or the citizens that are served through the Federal Government's activities.

The Consolidated Appropriations Act included a number of provisions that implemented GAO's recommendations for financial savings and mandated agencies to implement GAO's recommendations for greater economy, efficiency, and effectiveness. Also, we made major contributions to authorizing legislation in the defense area, cybersecurity, surface transportation, and education authorizations last year as well.

2017 BUDGET REQUEST

I am asking for an increase of \$36.8 million for three basic reasons. Number one is to have good succession planning at GAO. At the end of this fiscal year, 2016, 42 percent of our senior executives and 25 percent of our supervisory analysts will be eligible to retire. As we look in the out years, that number continues to grow as the baby boom generation moves toward retirement. We are a knowledge-based organization. We cannot provide the services that the Congress expects of us without a talented, knowledgeable, and experienced workforce.

Second, we have an aged infrastructure in our IT area. Our basic document management system that controls all the documents that we work with in performing our audits and evaluations is over a quarter of a century old. It is at the end of its useful life. We need to make investments there and in other areas as well.

Third, we believe with additional resources we can help the Congress further deal with the tight budget environment. We have a good record of accomplishments in this area, bringing to Congress's doorstep ways to stay within the discretionary caps in a way that does not have unintended consequences.

IMPROPER PAYMENTS

The two areas I think we could do more on are improper payments in the Federal Government. These are payments that should not have been made or were made in the wrong amounts. Since Congress required reporting of these improper payments in 2003, the cumulative number that has been reported by Federal agencies is over \$1 trillion. This is a significant amount of money. The annual amount of improper payments has grown significantly each year from the 2013 amount of \$105 billion; 2014, \$124 billion; and most recently for 2015, \$136 billion. Much of this is occurring in the healthcare programs, which are among the fastest-growing programs in the Federal Government's budget. If the Government does not get on top of this, this is going to complicate the deficit and debt situation unnecessarily.

THE TAX GAP

Second is the tax gap. As I mentioned, in many of our reports and discussions, the net tax gap right now is \$385 billion. That is an annual figure. So that quickly adds up to \$1 trillion as well. We have a lot of money going out the door that should not go out the door and a lot of money that should be coming in to the Federal Government's coffers that is not coming in without changing any law, just by following the current rules that are in place. GAO can make a greater contribution and thus help Congress deal with these gaps if you make the investments in us that are necessary.

Thank you. I know you will give our request careful consideration as always. I look forward to answering your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. GENE L. DODARO

Chairman Capito, Ranking Member Schatz, and members of the subcommittee:

On behalf of the U.S. Government Accountability Office (GAO), I appreciate the opportunity to discuss our fiscal year 2017 budget request. We also appreciate the confidence this subcommittee has shown in GAO by supporting our efforts to serve Congress and improve Government performance, accountability, and transparency.

GAO provides an exceptional investment, returning about \$134 for every dollar invested in us in fiscal year 2015. Last fiscal year our work resulted in \$74.7 billion in financial benefits and 1,286 program and operational improvements across the Federal Government.¹

Our fiscal year 2017 budget request of \$567.8 million in appropriated funds will support 3,100 full-time equivalent (FTE) staff, continuing progress toward achieving an optimal level of 3,250 FTEs. Our costs will be offset with \$32.4 million in reimbursements, primarily from financial audits and rental income. We plan to bolster our staff capacity with entry-level and intern positions to provide a pipeline to help address succession planning and fill critical skill gaps, which will allow us to continue to meet the highest congressional priorities and produce financial benefits.

GAO HIGHLIGHTS

Highlights of GAO-16-409T, a testimony before the Subcommittee on the Legislative Branch, Committee on Appropriations, U. S. Senate

¹ GAO's performance results can be found at: <http://www.gao.gov/about/perfaccountreport.html>. Our Web site includes a summary of our fiscal year 2015 Performance and Accountability Report as well as the complete report. The annual report informs Congress and the American people about what we have achieved on their behalf with the funds entrusted to us. The report also includes additional information on selected testimonies.

BACKGROUND

GAO's mission is to support Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the Federal Government for the benefit of the American people. GAO provides nonpartisan, objective, and reliable information to Congress, Federal agencies, and to the public. GAO recommends improvements across the full breadth and scope of the Federal Government's responsibilities.

GAO continues to provide significant levels of service to the Congress. It responded to requests from 97 percent of the standing full committees, and almost 66 percent of the standing subcommittees of the Congress in fiscal year 2015.

GAO issued 688 reports and testified before congressional committees 109 times. Congress used GAO's work in key legislation, including in identifying \$30 billion in offsets or revenue enhancements for the fiscal years 2016 and 2017 budget agreement, and in overseeing and reforming Government programs in the fiscal year 2016 appropriations bill and numerous authorization bills.

Since fiscal year 2003, GAO's work has resulted in:

- over \$600 billion dollars in financial benefits; and
- over 16,000 program and operational benefits that helped to change laws, improve public services, and promote sound management throughout Government.

GAO is requesting a fiscal year 2017 appropriation of \$567.8 million to support a staffing level of 3,100 full-time equivalents to rebuild staff capacity, address succession planning, and meet workload needs.

FISCAL YEAR 2017 BUDGET REQUEST

In fiscal year 2015, GAO's work resulted in an unprecedented return of about \$134 for every dollar invested in GAO, generating an estimated \$74.7 billion in financial benefits. Implementation of GAO's recommendations also led to 1,286 program and operational improvements across the Federal Government and many important contributions to budget, appropriations and authorization legislation enacted by the Congress.

To address congressional priorities, and fulfill GAO's mission, a talented, diverse, high-performing, knowledgeable workforce is essential. However, a significant proportion of its employees will be retirement eligible by the end of fiscal year 2016, including 42 percent of GAO executive leadership and 25 percent of supervisory analysts.

GAO's fiscal year 2017 budget request of \$567.8 million in appropriated funds provides the resources to enable GAO to continue rebuilding its staff capacity and make critical investments in its information technology (IT) and security program. GAO expects to offset its costs by \$32.4 million in receipts and reimbursements, primarily from financial audits and rental income.

This request provides funds to enable GAO to continue rebuilding its staff capacity to achieve a level of 3,100 full-time equivalent (FTE) staff in fiscal year 2017 through a robust, targeted recruitment program. GAO plans to bolster entry-level and intern positions to provide a pipeline to help address succession planning and fill critical skill gaps, which will allow GAO to continue to meet the highest congressional priorities and produce financial benefits. GAO also plans to continue addressing succession planning needs through other human capital activities, such as training and development. These efforts will help ensure that GAO is able to recruit and retain a talented, diverse workforce and make progress towards an optimal staffing level of 3,250 FTEs.

GAO also plans to make critical investments in its infrastructure operations, by modernizing GAO's aged IT infrastructure in such areas as security, telecommunications, information management systems, and software and hardware, to help improve engagement efficiency, increase staff productivity, enhance access to information, and help reduce operating costs.

GAO has again been recognized as an employer of choice. In December 2015, the Partnership for Public Service ranked GAO as one of the best places to work in the Federal Government. GAO is also ranked number one for its support of diversity, a position GAO has held since 2011.

Additional information on the results of GAO's operations, the financial and operational benefits resulting from its work are provided in more detail in GAO's fiscal year 2015 Performance and Accountability Report.

ASSISTING CONGRESS AND THE NATION

GAO continue to be recognized for our nonpartisan, firsthand, objective, professional, fact-based, and reliable analyses across the full breadth and scope of the Fed-

eral Government's responsibilities and the extensive interests of Congress. In fiscal year 2015, we responded to requests from 97 percent of the standing full committees of Congress, and almost 66 percent of the subcommittees. Our fact-based analyses and testimony inform congressional debate and decisions. We provide program and technical expertise to support Congress in overseeing the executive branch, evaluating spending priorities, and assessing information from outside parties.

We remain steadfast in our financial stewardship responsibilities by providing high-quality work and identifying cost savings and revenue enhancements as Congress and the administration deliberate on both the Federal Government's immediate priorities and the Nation's long-term fiscal path. Through sound analysis and advice, we recommend solutions across a vast array of areas to foster Government efficiency, effectiveness, and responsiveness on high-priority challenges facing Congress and the Nation. In fiscal year 2015, we issued 688 reports and made 1,680 new recommendations. On average, about 80 percent of GAO's recommendations have been implemented over a 4-year period.

GAO CONTRIBUTIONS TO 2015 LEGISLATION

Congress uses GAO's work extensively to inform its decisions on important legislation, which in fiscal years 2015 and 2016 resulted in financial and other benefits for the Government.

Congress achieved billions in savings and revenue enhancements as a result of the Bipartisan Budget Act of 2015, \$30 billion of which was a result of our work. These estimated savings and enhancements calculated by the Congressional Budget Office and the Joint Committee on Taxation include:

- authorizing a 58 million barrel sale from the strategic petroleum reserve to reduce the deficit, saving over \$5 billion;
- rescinding and permanently canceling \$1.5 billion from the Crime Victims Fund, which we reported had grown very high and from which the Department of Justice has limited ability to obligate funds;
- making provider-based off-campus hospital outpatient departments ineligible for inpatient payment reimbursements, saving \$9.3 billion;
- requiring agencies to increase civil monetary penalties and tie those penalties annually to the consumer price index, generating \$1.3 billion;
- streamlining and simplifying audit procedures for certain partnerships, resulting in increased tax revenue estimated at \$9.3 billion;
- requiring the Department of Commerce to identify spectrum that can be auctioned, providing resources for this purpose, and requiring the Federal Communications Commission to organize and hold these auctions, which may generate more than \$4 billion in revenue; and
- reforming Social Security Disability Insurance to prevent fraud and streamline program administration.

Our other contributions to the 2015 budget compromise bill related to our work on the Pension Benefit Guaranty Corporation's structure.

GAO's work was also reflected in the fiscal year 2016 Consolidated Appropriations Act and report language, both through savings in specific programs and through oversight and reforms. For example, using our work, Congress:

- Took steps to reduce spending for some programs, such as:
 - rescinding \$215 million in fiscal year 2015 Air Force funding that would not be needed for KC-46 Tanker Engineering Change Orders; and
 - reducing funding requested for the Air Force, Navy, and Marine Corps for F-35 Joint Strike Fighter Block 4 development efforts by more than \$126 million citing program growth.
- Instructed agencies to implement our recommendations, such as:
 - instructing the Department of the Interior to reform its system for administering Bureau of Indian Education schools and to present a reorganization proposal in its next budget request;
 - directing the Substance Abuse and Mental Health Services Administration to provide a timeline and detailed plan within 90 days to coordinate Federal programs related to mental illness and to develop improved guidance for awarding grants; and
 - directing the Department of Homeland Security (DHS) to implement our recommendations regarding asylum fraud and brief the Committees every 60 days until they are implemented.
- Improved other efficiencies and consumer protection, such as:
 - lifting the 40-year ban on crude oil exports;

- directing the Department of Education to develop a new student loan servicing process focusing on improved service and to conduct outreach to current borrowers who may be eligible for alternate repayment options, including income driven payment plans; and
- directing the Federal Motor Carrier Safety Administration to post disclaimers on its Web site and smartphone apps warning users that its scores for truck company safety are not necessarily reliable indicators of relative safety performance and highlight our concerns and recommendations in this regard.

Also, the National Defense Authorization Act of 2015 reflected a number of GAO's reports and recommendations, including:

- authorizing funding levels that included more than \$1.7 billion in reductions associated with DOD headquarters operations and maintenance spending; the Consolidated Appropriations Act also made reductions in this area;
- saving more than \$2.7 billion associated with bulk fuel purchases;
- making several important acquisition reforms, including providing DOD managers with flexibility to focus on program management by streamlining existing required certifications at key acquisition decision points, providing DOD managers greater flexibility in ways programmatic risk can be addressed, requiring in law an acquisition strategy, and requiring changes to the tenure and accountability of program managers; and
- requiring the military services to brief Congress on their efforts to improve reliability of information and address our report findings about non-major defense acquisition programs.

The Cybersecurity Act of 2015 further reflected several of GAO's reports and recommendations. For example the Act:

- allows the sharing of information about cybersecurity threats by the Federal Government and industry partners; authorizes a variety of new measures for detecting, analyzing, and mitigating cybersecurity threats; and protects parties from liability when threat information is shared. the act also requires DHS to regularly update, maintain, and exercise the Cyber Incident Annex of the National Response Framework and requires a report on cybersecurity for the 10 U.S. ports determined to be at greatest risk;
- requires the development of a Federal intrusion and prevention system for use by agencies and requires DHS to study the security of mobile devices used by the Federal Government; and
- authorizes the U.S. to consult with other countries to enhance cooperation for apprehending and prosecuting cyber criminals.

The Fixing America's Surface Transportation Act includes provisions related to several GAO reports and recommendations, such as:

- establishing the National Highway Freight Network, which identifies key urban and rural corridors, and the National Multimodal Freight Network, which will include network components from the National Highway Freight Network, rail systems, airports, shipping ports, and waterways;
- requiring the development of a national freight strategic plan and identification of key bottlenecks;
- requiring the Department of Transportation (DOT) to review its safety review program for new freight trucking operators for its effectiveness in reducing crashes, fatalities, and injuries; and
- increasing transparency of highway spending by requiring DOT to publicize the total estimated cost of all funded projects over \$25 million, the amount of Federal funds obligated, and other information.

The Every Student Succeeds Act incorporates several recommendations from GAO reports, including:

- eliminating 19 Department of Education-funded programs focused on teacher quality that we identified as possibly redundant; and
- giving school districts the option, rather than requiring them, to provide public school choice to students in low-performing schools.

The Grants Oversight and New Efficiency Act responds to GAO's reports on closing out grants by requiring the Director of the Office of Management and Budget to instruct agencies to report to Congress on grants whose performance period expired more than 2 years ago with undisbursed balances. The report should also describe challenges to closing out grants and explain why the 30 oldest grants have not been closed out.

FINANCIAL BENEFITS TO THE FEDERAL GOVERNMENT

GAO's findings and recommendations regularly produce measurable financial benefits for the Federal Government. Examples include financial benefits from changing business operations and activities, restructuring Federal programs, or modifying entitlements, taxes, or user fees.

In fiscal year 2015, our work led to about \$74.7 billion in financial benefits, including:

- generating net revenues exceeding \$32.8 billion through the 2015 Federal Communications Commission spectrum auction we recommended in past reports;
- reducing costs by \$4.9 billion annually from fiscal years 2015–2019, when Congress refrained from reauthorizing direct annual payments to farmers regardless of crop output or income in the Agricultural Act of 2014; and
- saving about \$1.3 billion, when Congress reduced DOD's appropriations for fiscal year 2015 after our reviews of its budget requests for the Defense Health Program and foreign currency fluctuations identified potential reductions due to both unobligated Defense Health Program balances and out-of-date foreign-exchange rates DOD used to develop its estimates.

PROGRAM AND OPERATIONAL BENEFITS DUE TO GAO'S WORK

Many of the benefits resulting from our work cannot be measured in dollars, but led to program and operational improvements across the Government. During fiscal year 2015, we recorded 1,286 of these other benefits.

Examples of program and operational benefits reported in fiscal year 2015 include:

- Ensuring foreclosure protection for servicemembers*: In response to our findings that servicemembers were not receiving the foreclosure protections due to them under the Servicemembers Civil Relief Act, several banking regulators have begun sharing information among each other to improve oversight. This will help ensure that servicemembers receive their mortgage related benefits and help them keep their homes.
- Improving the Transportation Security Administration's (TSA) rail security incident data*: In 2012, we identified weaknesses that hampered TSA's ability to extract information from its rail security incident data system, causing TSA to miss chances to identify important trends or patterns. TSA has since established processes and guidance to ensure the completeness of incident data and minimize errors as well as a Surface Compliance Trend Analysis Network that provides analyses of rail security trends and potential threats. These actions will help TSA develop recommended security measures for rail agencies, as appropriate.

TESTIMONIES

Senior GAO officials testified 109 times before 63 separate committees or subcommittees on issues that touched virtually all major Federal agencies. Figure 1 shows examples of topics we testified on in fiscal year 2015 organized by strategic goal.

FIGURE 1: SELECTED GAO FISCAL YEAR 2015 TESTIMONIES

Goal 1: *Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People*

| | |
|---|---|
| Indian Education Management Challenges | Managing Federal Real Property |
| Rural Housing Service: Managing Loan Risks | Improving Oversight of Motor Carrier Safety |
| Railroad Retirement Board: Reducing Fraud and Improper Payments | Public Safety Communications: Establishing a Nationwide Broadband Network |
| VA Health Care: Monitoring of Antidepressant Use and Accuracy of Suicide Data | Management Challenges Facing the National Nuclear Security Administration |
| Extending Federal Funding for Children's Health Insurance | |

Goal 2: *Respond to Changing Security Threats and the Challenges of Global Interdependence*

| | |
|---|---|
| DOD Support of Civil Authorities | Improving Oversight of VA Contracting |
| Nuclear Nonproliferation: Minimizing Reporting Delays That May Affect Trade Sanctions | Observations on the State Department's Bureau of Counterterrorism |
| Defense Acquisitions: F-35 Joint Strike Fighter Program Progress | International Space Station: Utilization and Cost-Effectiveness |
| Afghanistan: Embassy Construction Faces Cost Increases and Schedule Delays | Addressing IT Cyber Threats and Security Breaches at Federal Agencies |
| Improving Oversight of IT Acquisitions | Enhancing National Capacity for Biosurveillance |
| Strengthening Oversight for International Cash-Based Food Assistance | Border Security: Monitoring High-Risk Travelers and Maritime Cargo |

Goal 3: *Help Transform the Federal Government to Address National Challenges*

| | |
|--|--|
| DATA Act Implementation Challenges | Federal Retirement System IT Modernization |
| Need to Reduce Government-wide Improper Payments | Cybersecurity Challenges Facing Federal Systems |
| Reducing Fragmentation, Overlap, and Duplication in Federal Programs | Homeland Security Acquisitions: Gaps in Oversight and Information |
| Patient Protection and Affordable Care Act Enrollment Controls | Using Security Clearances Process to Aid Federal Tax-Debt Collection |
| Improving Medicaid's Fraud Controls | High-Risk Update: Fiscal Year 2015 |
| Addressing Biosafety Lapses in High Containment Laboratories | Environmental Satellites: Addressing Potential Gaps |

Source: GAO.

HIGH-RISK UPDATE

We issued the latest biennial list for Congress of high-risk areas in February 2015. The list focuses on Government operations that are at high risk of fraud, waste, abuse, and mismanagement, or need transformation to address economy, efficiency, or effectiveness challenges (Appendix 1).

GAO's High Risk List comprises 32 high-risk areas, including two new areas we identified in 2015: Managing Risks and Improving Veterans Affairs Health Care, and Improving the Management of Information Technology Acquisitions and Operations across the government. Also, we expanded two high-risk areas due to evolving risks: (1) the tax law enforcement area now also focuses on the prevention of identity theft related to tax fraud, and (2) the risk area including the security of Federal information systems and cyber critical infrastructure now also includes protecting the privacy of personally identifiable information, in recognition of ongoing personal privacy challenges.

The six broad areas of risk included in our list touch on every aspect of Government operations:

- Strengthening the Foundation for Efficiency and Effectiveness*, including managing Federal oil and gas resources and modernizing the U.S. financial regulatory system and the Federal role in housing finance;
- Transforming DOD Program Management*, including financial management and support infrastructure management, along with supply chain management, DOD weapon systems acquisitions, and business modernization and transformation;
- Ensuring Public Safety and Security*, including mitigating gaps in weather satellite data and protecting public health through enhanced oversight of medical products and food safety;
- Managing Federal Contracting More Effectively*, including at DOD, the National Aeronautics and Space Administration, and the Department of Energy;
- Assessing the Efficiency and Effectiveness of Tax Law Administration*, which focuses on tax law enforcement and fraud due to identity theft; and
- Modernizing and Safeguarding Insurance and Benefit Programs*, which includes Medicare and Medicaid, two of the government's fastest growing programs.

Solving these high-risk problems has the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. Government.

GAO continue to monitor Federal operations designated as high risk and conduct outreach with the executive branch agencies to discuss progress in these areas. In fiscal year 2015, our high risk work resulted in 162 reports, 32 testimonies, \$17 billion in financial benefits, and 435 program and operational benefits. The high-risk areas specific to DOD weapon systems acquisitions, tax law administration, and Medicaid produced the largest financial benefits.

Details on each high-risk area can be found at <http://www.gao.gov/highrisk/> overview. We plan to issue the next update in February 2017.

FRAGMENTATION, OVERLAP, AND DUPLICATION

Our fifth report to Congress, issued in April 2015, identified Federal programs, agencies, offices, and initiatives that have fragmented, overlapping, or duplicative goals or activities. Our findings, as well as recommendations, must be reported annually in response to a statutory provision. We also identified additional opportunities to achieve greater efficiency and effectiveness by means of cost savings or enhanced revenue collection.

The 2015 annual duplication report identified 66 new actions that Congress and executive branch agencies could take to improve the efficiency and effectiveness of 24 areas of Government. We identified 12 new areas in which there is evidence of fragmentation, overlap, or duplication.

We suggested, for example, that Congress repeal the statutorily required U.S. Family Health Plan, a decades-old component of DOD's Military Health System, because it duplicated the efforts of DOD's managed-care support contractors by providing the same benefit to military beneficiaries.

We also identified 12 areas where opportunities existed either to reduce the cost of Government operations or to enhance revenue collections. For example, we suggested that Congress update the way Medicare has paid certain cancer hospitals since 1983. This could save an estimated \$500 million a year.

In addition to identifying new areas, we continued to monitor the progress Congress and executive branch agencies have made in addressing issues we previously identified. As we reported in April 2015, 76 percent of approximately 440 areas we identified in our first four reports have been addressed or partially addressed; resulting in over \$20 billion in cost savings and an additional \$80 billion in cost savings anticipated in future years from these actions. Congress, the press, and the public can track the status of efforts to address the issues identified on our Action Tracker located on our public Web site under the "Duplication and Cost Savings" collection.

LEGAL WORK UPDATE

In fiscal year 2015, GAO handled more than 2,600 bid protest cases, issued almost 600 decisions on the merits, and published 9 appropriations law products, including 8 appropriations decisions and letters.

The Consolidated Appropriations Act, 2014, directed us to develop an electronic bid protest filing system, collect fees, and use them to offset the costs of that system. We have been working with the Department of Agriculture's Enterprise Application Services to develop a secure and easy-to-use Web-based system. We are currently testing it and expect to become operational this year.

We are still evaluating the final fee. We continue outreach with the Congress and user groups, including small business and veterans groups, for their input on the system and the filing fee. We expect to publish a notice of proposed rulemaking in connection with the update of the GAO's bid protest regulations this spring, which will provide an opportunity to the public and the entire bid protest community to express their views and submit comments. We also provide regular updates on our progress to the Congress.

STRATEGIC PLAN FOR SERVING CONGRESS

Our latest Strategic Plan: Serving the Congress and the Nation 2014–2019 (GAO–14–1SP), describes our proposed goals and strategies for supporting Congress and the Nation. Our strategic plan framework (Appendix II) summarizes the global trends and the strategic goals and objectives that guide our work. The strategic plan identifies the areas of work we plan to undertake, including science and technology, weapons systems, healthcare, national and homeland security, the environment, and energy.

Achieving our strategic goals and objectives requires collaborating with intergovernmental and international organizations with similar missions. Advisory boards consisting of members of Federal inspectors general, State and local audit organizations, and international government accountability and professional organizations helped us identify key trends, opportunities and challenges, and lessons learned that are factored into our planning, audit work, and operations.

In this spirit, during fiscal year 2015 we strengthened our collaboration with domestic and international counterparts in the audit and accountability community to develop standards, share knowledge, and build audit capacity.

MANAGING WORKLOAD BY FOCUSING RESOURCES ON CONGRESSIONAL PRIORITIES

To manage our congressional workload, we continue to take steps to ensure our work supports the highest congressional legislative and oversight priorities while focusing on areas with the greatest potential for results, such as cost savings and improved Government performance.

We actively coordinate with congressional committees in advance of new statutory mandates² by identifying mandates in real time as bills are introduced, participating in ongoing discussions with congressional staff, and collaborating to ensure that the work is properly scoped and consistent with the committee's highest priorities.

In fiscal year 2015, we devoted 33 percent of our audit resources to congressional mandates and 62 percent to congressional requests. Our leaders regularly consult with chairs and ranking members of committees and subcommittees to hear firsthand feedback on our performance. Their priorities help ensure we maximize the return on your investment in us.

We continued to collaborate with the Congress to revise or repeal our mandated reporting requirements which have, over time, lost relevance or usefulness. Specifically, we worked with responsible committees to have seven mandates repealed or revised as part of the 2016 National Defense Authorization Act, which was signed by the President in December 2015. GAO has identified 14 additional mandated reporting requirements for revision or repeal and is working with appropriate committees to address them in the second session of the 114th Congress.

GAO'S FISCAL YEAR 2017 BUDGET REQUEST

Our fiscal year 2017 budget request seeks an appropriation increase of \$36.8 million, or 6.9 percent, to strengthen our staff capacity and to make critical improvements to our IT, building, and security infrastructures. Our costs will be offset with \$32.4 million in reimbursements, primarily from financial audits and rental income.

A significant proportion of our employees are currently retirement eligible. By the end of fiscal year 2016, 42 percent of our senior executive staff and 25 percent of our supervisory analysts will be eligible. Our fiscal year 2017 budget request therefore seeks funding to achieve an FTE level of 3,100 to help us fill critical vacancies and continue to replenish the much-needed pipeline of entry-level and experienced analysts to meet succession planning and workload challenges, while making progress toward an optimal staffing level of 3,250 FTEs.

The requested resources provide the funds necessary to ensure that we can continue to meet the highest priority needs of Congress and produce results to help the Federal Government deal effectively with its serious fiscal and other challenges. Table 1 provides a summary of our resources for our fiscal year 2010 baseline and fiscal years 2015–2017.

TABLE 1: FISCAL YEAR 2010 BASELINE AND FISCAL YEAR 2015 TO FISCAL YEAR 2017 SUMMARY OF RESOURCES

[Dollars in thousands]

| Funding Source | Fiscal Year 2010 Actual | | Fiscal Year 2015 Actual | | Fiscal Year 2016 Estimated | | Fiscal Year 2017 Request | |
|--|----------------------------|-----------|----------------------------|-----------|-------------------------------|-----------|-----------------------------|-----------|
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| Salaries and expenses | | | | | | | | |
| appropriation | | \$556,325 | | \$521,517 | | \$531,000 | | \$567,825 |
| Non-legislative-branch appropriation | | 21,804 | | | | | | |
| Reimbursements | | 10,214 | | 5,018 | | 10,080 | | 9,000 |

² Congressional mandates include requirements directed by statutes, congressional resolutions, conference reports, and committee reports.

TABLE 1: FISCAL YEAR 2010 BASELINE AND FISCAL YEAR 2015 TO FISCAL YEAR 2017
SUMMARY OF RESOURCES—Continued
[Dollars in thousands]

| Funding Source | Fiscal Year 2010 Actual | | Fiscal Year 2015 Actual | | Fiscal Year 2016 Estimated | | Fiscal Year 2017 Request | |
|------------------------------|----------------------------|-----------|----------------------------|-----------|-------------------------------|-----------|-----------------------------|-----------|
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| Offsetting receipts ..... | ..... | 10,892 | ..... | 23,008 | ..... | 23,645 | ..... | 23,000 |
| Bid protest user fees ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 350 |
| Total budget authority | 3,347 | \$599,235 | 2,989 | \$549,543 | 3,005 | \$565,075 | 3,100 | \$600,175 |

Source: GAO.

In hiring and developing our staff we continuously strive to be the employer of choice in the public sector. Our ranking as one of the top places to work in the Federal Government results from the dedicated efforts of our entire team and leadership for their commitment in continuing to make our agency one of the best places to work. Our management remains committed to work with our union (IFPTE, Local 1921), the Employee Advisory Council, and the Diversity Advisory Council to make GAO a preferred place to work.

We value our talented, diverse, and high-performing workforce. Diversity is essential in fulfilling our mission of supporting Congress and the Nation. We continue to effectively address critical human capital management challenges, including preparing for retirements of key subject matter experts, senior executives, and other key leaders; fostering a performance-based and inclusive culture that motivates and retains a talented and diverse staff; and maintaining workplace and work-life practices that meet the needs of an evolving workforce in an equitable manner.

PRIORITY AREAS FOR INCREASED STAFFING

We have identified areas that merit increased review and attention as additional staffing is made available, including:

—*Continued identification and reduction in improper payments:* In fiscal years 2014 and 2015, government-wide improper payments were \$124.6 billion and \$136.9 billion, respectively, up from \$105 billion in fiscal year 2013.³ The Medicare Fee for Service program continued to account for the largest portion of the government-wide total in fiscal year 2015, whereas Earned Income Tax Credit and Medicaid combined, accounted for approximately a third of the government-wide total. Federal spending in Medicare and Medicaid is expected to significantly increase, so it is critical that actions are taken to reduce improper payments in these programs.

Identifying root causes of improper payments can help agencies target corrective actions, and with additional resources GAO could make more recommendations that could help reduce improper payments. Continued executive branch attention, along with congressional and GAO oversight, is needed to identify susceptible programs, develop reliable estimation methodologies, report as required, and implement effective corrective actions based on root cause analysis. Absent such efforts, the Federal Government cannot be assured that taxpayer funds are adequately safeguarded.

—*The tax gap:* The tax gap (the difference between what is owed and what is collected) has been a persistent problem for decades. The current estimate for the annual net tax gap is \$385 billion, which is equivalent to roughly one-third of total Federal discretionary spending.⁴ We have identified a number of opportu-

³An improper payment is defined by statute as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. Among other things, it includes payment to an ineligible recipient, payment for an ineligible good or service, and any duplicate payment. An improper payment also includes any payment for a good or service not received (except for such payments where authorized by law) and any payment that does not account for credit for applicable discounts. In addition, the Office of Management and Budget's guidance instructs agencies to report as improper payments any payments for which insufficient or no documentation was found.

⁴In January 2012, IRS estimated that the net tax gap was \$385 billion in tax year 2006 (the most current estimate available).

nities for the IRS to get better data to do the necessary comparisons and increase collections.

Additional resources would enable us to expand our work in finding ways to further close the tax gap, thus improving the government's financial position.

- Science and technology*: GAO provides critical oversight for the nation's huge investments in emerging energy programs, weapons systems, space program, satellite infrastructure, and other critical research and development programs across Federal agencies. As the Federal Government invests more in science and technology, we will need to increase oversight to ensure Federal spending is optimally targeted and produces desired results.

OPERATIONAL EFFICIENCIES

GAO's fiscal year 2017 IT budget includes \$56.2 million—an increase of 15.3 percent over the fiscal year 2016 level. This level provides funds needed to maintain support of ongoing IT operations and critical initiatives to enhance program efficiency and protect GAO's IT assets. Our fiscal year 2017 costs remain below the fiscal year 2010 level as a result of streamlining, reduced contractor reliance, and cost reduction efforts.

In fiscal year 2017, GAO is seeking funds to continue modernizing outdated legacy tools and systems, including the:

- electronic document management system;
- content development and distribution system, New Blue;
- tools used to provide voice, data communications and collaboration capabilities to GAO staff (unified communications and collaboration); and
- data management and security for the network operations center to ensure a more robust environment to support GAO's current needs.

We believe these efforts have the potential to yield long-term benefits to GAO, the Congress, and the Nation. The following are some highlights of these activities.

Modernize GAO's Electronic Document Management System. GAO operates a critical system that is used daily by all GAO staff and houses all of GAO's documents, information obtained from agencies, and data analyses that form the basis of GAO's products. While this system has been a tremendous asset to the agency, it was initially implemented in the mid-1990s. Since the existing version of GAO's records management repository is at the end-of-life, GAO must embark on an effort to replace it in order to keep pace with technological changes. This new system would allow GAO to provide common capabilities which are currently associated with such systems, such as workflow and business process management, support modern file formats, including video and files, enhance security, provide enhanced functionality, and improve staff productivity and efficiency. GAO could also integrate the enhanced document repository with GAO's enterprise-wide systems, including the new engagement content management system under development, New Blue.

In fiscal year 2016, GAO will study alternatives and begin a phased implementation in fiscal year 2017. An electronic records management system is vital to GAO's ability to manage information and meet Federal records management requirements.

Content Development and Distribution System (New Blue). GAO has begun an initiative called New Blue to improve how it publishes GAO products. New Blue will modernize GAO's content development and distribution processes and its publishing systems to fully support end-to-end processing of GAO products from New Blue through distribution channels, such as GAO's Web site. Once implemented, New Blue will enable time savings and improved productivity in the creation of GAO products as well as improve the efficiency of the publishing process. New Blue will provide the capability to deliver products in multiple formats, allowing greater flexibility in supporting client needs. The first phase of the project is completed and resulted in a prototype that demonstrated the system's technical capabilities. GAO is proceeding with full development of capabilities in advance of a planned pilot in fiscal year 2017.

Unified Communications and Collaboration. Enhance GAO's mobile computing by providing resources for Voice Over Internet (VoIP) capability, video conferencing (VTC), and wireless infrastructure. This effort will modernize our suite of telecommunications tools, shifting from a PBX, host-based solution to a cloud solution which will facilitate greater staff mobility and data sharing, reduce redundant implementation and maintenance costs, and standardize the infrastructure which supports voice and data usage. This effort will also allow GAO to reduce risks for continuity events, and shift communications technologies from onsite to a service model.

Network Operations Center. Since GAO consolidated and centralized its data and computing capacity in a single location, the data center requires increased 24/7 operational availability to adequately support the diverse work schedules of staff located in headquarters and GAO's 11 field locations throughout the United States. The current data center does not adequately support GAO's needs. As such, GAO needs to improve data management operations and security. In fiscal year 2016, we will assess options to upgrade the equipment supporting the center to provide a modern computing environment in fiscal year 2017, which could reduce costs and enhance security, capacity, and availability.

CENTER FOR AUDIT EXCELLENCE

We established the Center for Audit Excellence with a mission to promote good governance and build institutional auditing capacity of domestic and international audit organizations by providing high-quality training, technical assistance, and related products and services on a fee basis. Potential recipients eligible for training, technical assistance, products, and services include: Federal, State, local, tribal, and national audit offices in other countries.

The Center's capacity-building efforts expand on and complement GAO's long-standing collaboration with the domestic and international accountability community. To preserve the independence of our audit work and minimize the impact on our routine audit and oversight work on behalf of Congress, the center has developed controls and coordination guidance to ensure projects and activities are appropriate for the center.

Since the Center for Audit Excellence's opening in October 2015, domestic and international accountability organizations as well as some development agency donors have made inquiries regarding potential training and technical assistance services related to:

- conducting performance, financial, and other specialized audits;
- strengthening internal controls; and
- enhancing institutional capacity in areas such as strategic planning and quality assurance.

Through initial discussions with interested organizations, the center has gained a good understanding of potential project requirements and associated costs for providing fee-based services. During fiscal year 2016, the center plans to finalize and implement several projects.

For example, in the second and third quarters of fiscal year 2016, the center plans to provide two separate, customized trainings—one on Green Book Internal Control Standards and another on Performance Auditing—expected to reach over 650 participants from across the audit community. The center continues to implement its business plan and seek opportunities to build the capacities of State, local, Federal, and international accountability partners.

We have received a positive response from the audit community to the center's opening and are in the process of discussing several potential projects and associated fees with domestic and international audit organizations. Fees collected for projects will be used to support center operations after receiving appropriate congressional approval for their use.

CONCLUDING REMARKS

In conclusion, we value the opportunity to provide Congress and the nation with timely, insightful analysis on the challenges facing the country. GAO's fiscal year 2017 budget request is a fiscally sound approach that will better position us to continue to support Congress and foster Government accountability, address long-standing challenges, and keep a watchful eye on the Nation's future.

Our budget request includes funds to increase our staffing level and provide employees with the appropriate resources and support needed to effectively serve Congress. The requested funding will also allow us to continue efforts to promote operational efficiency, and begin addressing long-deferred investments and maintenance.

This concludes my prepared statement. I appreciate, as always, your continued support and careful consideration of our budget. I look forward to discussing our fiscal year 2017 request with you.

Appendix I: GAO's 2015 High Risk List

GAO's High-Risk List as of September 30, 2015

| High-risk area | Year designated |
|--|-----------------|
| Strengthening the Foundation for Efficiency and Effectiveness | |
| ▫ Improving the Management of IT Acquisitions and Operations (new) | 2015 |
| ▫ Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks | 2013 |
| ▫ Management of Federal Oil and Gas Resources | 2011 |
| ▫ Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance | 2009 |
| ▫ Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability | 2009 |
| ▫ Funding the Nation's Surface Transportation System | 2007 |
| ▫ Managing Federal Real Property | 2003 |
| ▫ Strategic Human Capital Management | 2001 |
| Transforming DOD Program Management | |
| ▫ DOD Approach to Business Transformation | 2005 |
| ▫ DOD Support Infrastructure Management | 1997 |
| ▫ DOD Business Systems Modernization | 1995 |
| ▫ DOD Financial Management | 1995 |
| ▫ DOD Supply Chain Management | 1990 |
| ▫ DOD Weapon Systems Acquisition | 1990 |
| Ensuring Public Safety and Security | |
| ▫ Mitigating Gaps in Weather Satellite Data | 2013 |
| ▫ Protecting Public Health through Enhanced Oversight of Medical Products | 2009 |
| ▫ Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals | 2009 |
| ▫ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests | 2007 |
| ▫ Improving Federal Oversight of Food Safety | 2007 |
| ▫ Establishing Effective Mechanisms for Sharing and Managing Terrorism-related Information to Protect the Homeland | 2005 |
| ▫ Strengthening Department of Homeland Security Management Functions | 2003 |
| ▫ Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information | 1997 |
| Managing Federal Contracting More Effectively | |
| ▫ DOD Contract Management | 1992 |
| ▫ DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management | 1990 |
| ▫ NASA Acquisition Management | 1990 |
| Assessing the Efficiency and Effectiveness of Tax Law Administration | |
| ▫ Enforcement of Tax Laws | 1990 |
| Modernizing and Safeguarding Insurance and Benefit Programs | |
| ▫ Managing Risks and Improving VA Health Care (new) | 2015 |
| ▫ National Flood Insurance Program | 2006 |
| ▫ Improving and Modernizing Federal Disability Programs | 2003 |
| ▫ Pension Benefit Guaranty Corporation Insurance Programs | 2003 |
| ▫ Medicaid Program | 2003 |
| ▫ Medicare Program | 1990 |

Source: GAO | GAO-16-35P

GAO-16-409T

Appendix II: GAO's Strategic Plan Framework

Serving the Congress and the Nation GAO's Strategic Plan Framework



MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

Trends Shaping the United States and Its Place in the World

| National Security Trends | Fiscal Sustainability and Debt Challenges | Global Interdependence | Science and Technology Trends | Communications Networks and Information Technologies | Shifts in Governance and Government | Demographic and Societal Change |
|--|---|------------------------|--|--|-------------------------------------|---------------------------------|
| Goals | | | Objectives | | | |
| Provide Timely, Quality Service to the Congress and the Federal Government to... | | | <ul style="list-style-type: none"> Health care needs Lifelong learning Challenges facing an aging population Effective system of justice Housing finance and viable communities | | | |
| Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to... | | | <ul style="list-style-type: none"> Stable financial system and consumer protection Natural resources and the environment National infrastructure Benefits and protections for workers, families, and children | | | |
| Respond to Changing Security Threats and the Challenges of Global Interdependence involving... | | | <ul style="list-style-type: none"> Homeland security Military capabilities and readiness Foreign policy and international economic interests | | | |
| Help Transform the Federal Government to Address National Challenges by assessing... | | | <ul style="list-style-type: none"> Government's fiscal position and approaches to address current and projected fiscal gaps Federal government audit and internal control standards Major management challenges and program risks Fraud, waste, and abuse, and improvements in internal controls | | | |
| Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency by focusing on... | | | <ul style="list-style-type: none"> Efficiency, effectiveness, and quality Diverse workforce and inclusive work environment Networks, collaborations and partnerships Human, information, fiscal, technological, and physical resources | | | |

CORE VALUES

Accountability

Integrity

Reliability

Source: GAO.

GAO Strategic Plan 2014-2019

EXPLANATION FOR THREE NEW FULL-TIME EQUIVALENT POSITIONS

Senator CAPITO. Well, thank you. Thank you both. Boy, you were right on the dollar there. No wonder you are accountable to the 5-minute standard, so I appreciate that. Both of us do.

I am going to go ahead and start the questions. I am going to go to the full-time equivalent (FTE) question because you both have increases. Dr. Hall, you have an increase of three. You say that there are presently—what did you tell me—230—

Dr. HALL. Two hundred and thirty-five FTEs.

Senator CAPITO. Two hundred and thirty-five. Is that how many you actually have working now or is that your cap?

Dr. HALL. That is our cap. We are below that a little bit.

Senator CAPITO. Do you have any idea how many?

Dr. HALL. I think we are around 230 right now.

Senator CAPITO. Two hundred thirty, so very, very close. And, you know, I talked in my opening statement obviously I think at the GAO you said—or maybe it was you that said 91 percent of your expenses are in personnel. I know that was at the GAO. It is probably the same with you as well that, you know, as you are requesting more and more people working at the agencies, if we are in a flat budget environment, it makes it very, very difficult.

So you mentioned the dynamic scoring issue and also health policy. Is that what you intend to have, three more—you need three more folks with those kinds of expertise? Is that what you are requesting?

Dr. HALL. That is exactly right. With respect to dynamic scoring, we are finding that we are doing a bit more work on that than actually we had anticipated, and then we are anticipating—

Senator CAPITO. Do you know why that is, I mean, I know we passed the requirement that you—

Dr. HALL. Yes.

Senator CAPITO [continuing]. Would have it, but what do you attribute that to?

Dr. HALL. I think it has been an interest by the Budget Committee.

Senator CAPITO. Yes.

Dr. HALL. You know, the big pieces of legislation, we do it automatically, and then for some of the pieces that do not meet the criteria, they still have an interest in having us do the work. And that just takes some resources away from our macroeconomic group.

Senator CAPITO. Right. And then the health issue, health care issue.

Dr. HALL. Health issue, we have always had trouble keeping up staffing on that, but we would like to try to get that staffing up a bit more. We really do anticipate—we have had a lot of work. We anticipate a lot of interest in health issues, a lot of interest in proposals to repeal the Affordable Care Act (ACA) going forward, so we really could use some extra staffing there.

HIRING FOREIGN NATIONAL WHO HOLD NON-IMMIGRANT VISAS

Senator CAPITO. Let us talk a little bit before I go to the GAO on the same issue on the nonimmigrant visa language. It has been requested now for the fourth year in a row to no avail. And I do

not know what is going to happen this year, but I would anticipate that it again would not make it across the finish line. I guess what kind of hardship is this putting on you? You are pretty much full right now. Are you not able to do the work without this talent or is it just taking longer? What is the issue there?

Dr. HALL. We are able to do the work, and having this ability would probably help us out a little bit. We probably would not use it for many people. The real issue is that we do a lot of hiring of new Ph.D.'s, and literally more than half of new Ph.D.'s coming out of schools right now are not U.S. citizens, so we cannot hire them. So right away, we are starting job hunting for people where more than half of the available candidates we cannot hire. So it is affecting us in just certain areas. Econometrics and financial modeling has always been a challenge for us.

Senator CAPITO. Is it a challenge, too, that it is not private sector?

Dr. HALL. It is. Both those things are challenges.

AUTHORIZATION FOR SENIOR POSITIONS

Senator CAPITO. Yes. You mentioned briefly about an authorization for senior positions. What would that give you to have that—what kind of latitude does that give you, getting an authorization for—

Dr. HALL. Right.

Senator CAPITO [continuing]. Senior positions?

Dr. HALL. Well, right now, our senior managers and our senior people are sort of capped at a level that is below a lot of similar agencies. As I mentioned—

Senator CAPITO. You are talking about salary-wise.

Dr. HALL. Salary-wise, that is right. This would allow us to hire some senior executive positions and some senior positions, which would sort of help with our salary compression to be honest. We have not had an increase in our max salary for a while. And so we do have to compete with other Government agencies, let alone the private sector, and this would help us out in that respect.

Senator CAPITO. And this may be a naive question, but is your salary cap capped to our salary as well, the stagnation on our salary?

Dr. HALL. Yes, that is—

Senator CAPITO. Yes.

Dr. HALL [continuing]. Exactly right.

STAFFING LEVELS

Senator CAPITO. Okay. All right. Mr. Dodaro, let me ask you that because you have obviously asked for a much larger increase, and, I mean, you have a larger agency, but a much larger increase in your FTEs. Last year, I believe we were able to give you some money to fulfill some of your requests in that area last year. Can you give me the status on that? Like where are you and your actual people working? How many of the ones that were budgeted for last year and actually appropriated for did you hire and have hired? So give me a status report, please.

Mr. DODARO. Sure. We are in the process of hiring people now. We have some of those people on board. We have others with offers

that are expected to report. We are on track to meet our target of—

Senator CAPITO. Which is?

Mr. DODARO [continuing]. 3,005 FTEs for the year.

Senator CAPITO. And that includes what was appropriated from last year, correct?

Mr. DODARO. Yes.

Senator CAPITO. And I believe—

Mr. DODARO. Right now, we have 3,010 people on board, so we will have some people leaving and then people coming in. We are hopeful that at the end of the year we will be close to our authorized level. And then we—

Senator CAPITO. And then how many of those are new people that were hired under the appropriations that we passed at the end of the year? Do you have any idea?

Mr. DODARO. One hundred and three so far, I think, or—

Senator CAPITO. Really?

Mr. DODARO. Yes. But we are going to hire more.

Senator CAPITO. Right.

Mr. DODARO. And we have no problems hiring highly qualified people. Our mission is great. People come to GAO because they can make a difference in government. We have a great track record of actually making a difference. We do not just do studies and reports. Our recommendations get acted on. We are only limited by the amount of money.

So we are working hard on hiring new staff. We have a plan to bring staff on board in order to be at our authorized FTE level for this fiscal year.

Senator CAPITO. Okay. I am going to let—

Mr. DODARO. And I appreciate—

Senator CAPITO [continuing]. Senator Schatz go—

Mr. DODARO [continuing]. Your support to do that.

Senator CAPITO. Thank you.

Mr. DODARO. Yes.

SALARY CAP AT CBO

Senator SCHATZ. Thank you, Chairman Capito.

Dr. Hall, how does the salary cap work for your agency? What is the cap?

Dr. HALL. For our senior managers, I think the salary cap is \$171,200, and then we have the deputy director, the director capped a little bit higher than that. But it is capped based on congressional salaries.

Senator SCHATZ. And are a lot of these folks—let me ask the question this way. If they are considering private sector opportunities, what is the delta?

Dr. HALL. It can be really large to be honest.

Senator SCHATZ. Two or three times as much, fair to say?

Dr. HALL. It depends on the area, but yes, it could be that much. And so really what we are talking about is getting people who are really interested in public service and interested in the topic and such. So the comparisons I am trying to make here a little bit is that there are other agencies within the Federal Government who

have similar roles in public service and we are starting to fall behind those agencies.

Senator SCHATZ. Are you asking for a change in the statute?

Dr. HALL. Yes, this would be a similar change, I think, that has happened recently.

Senator SCHATZ. Okay. Thank you.

RETURN ON INVESTMENT

Mr. Dodaro, on this \$134 to \$1—

Mr. DODARO. Yes.

Senator SCHATZ [continuing]. My question for you is where do we need to spend the money? Is it at GAO or in a lot of instances in terms of improper payments or uncollected revenues, I assume that the investments that need to happen actually need to happen throughout the government and—

Mr. DODARO. Right.

Senator SCHATZ [continuing]. Not just at GAO, so how does that—

Mr. DODARO. Right.

Senator SCHATZ [continuing]. All work out, and—

Mr. DODARO. Yes.

Senator SCHATZ [continuing]. How do you inform both the authorizing and appropriating committees, you know, how to make those proper investments? Because it is not purely a matter of just identifying the potential savings, right?

Mr. DODARO. Basically, over \$74 billion that I mentioned were in financial benefits last year were across the Federal Government. None of that was within GAO. These are areas, for example, spectrum auctions brought in tens of billions of dollars based upon our advice to the Congress to extend the auction program. There were cancellations of Federal programs like a BioWatch program—

Senator SCHATZ. Yes, I got it—

Mr. DODARO. Yes.

Senator SCHATZ [continuing]. But—

Mr. DODARO. Yes, okay.

Senator SCHATZ [continuing]. I guess my question is, for instance, the spectrum auction was a relatively easy one, or I should not say easy but straightforward one—

Mr. DODARO. Yes, right.

Senator SCHATZ [continuing]. But there are other executive agencies that actually need to make an investment in order to recoup some, you know, multiple of—

Mr. DODARO. Right.

Senator SCHATZ [continuing]. Their investment.

Mr. DODARO. All our figures are net figures. They are the amount saved versus whatever it cost to implement them. I might add also these are not GAO figures. These are either CBO figures, the Joint Tax Committee, Taxation Committee, the agencies, or the Congress themselves in cutting appropriations. We use independent third-party estimates.

Senator SCHATZ. In terms of the investment, I mean, I see the dollar amount that you are asking for, roughly \$37 million more for GAO. When do we get to diminishing returns? Obviously, it is all the way up at least until \$37 million, but if we were to imagine

a world where, say, this is a private sector company and she is the CEO and I am——

Mr. DODARO. Right.

Senator SCHATZ [continuing]. Her senior vice president and we can make choices in order to accrue as much savings as possible, you know, what is the outside number in terms of an investment that would still, you know, get you your money back and then some?

Mr. DODARO. Yes. We have consistently produced, over the last 4 years in a row over \$100 back for every \$1 invested in us. There are obviously limits. I have said that our optimum level would be at 3,250 people given the current budget environment. When I first started at GAO, we had over 5,000 people in the agency. It is a big government, with a \$4 trillion budget and many opportunities to save money. I have limited our request to the 3,250 because I think we can maximize our efficiencies at that level.

In the 17-year period, between 1996 and when we had sequestration, 13 of those 17 years we had close to or above 3,200 people at GAO. My estimate at 3,250 is informed by this historical standard. I have been either the chief operating officer, or the Comptroller General now for 17 years. I have been through this and I know that with that level of resources we can meet the highest priority needs of the Congress and have a continual, steady return on that investment and financial benefits.

It is needed more than ever given the discretionary caps in place between now and 2025. I am thinking about those every day in terms of what we do and what contribution we can make. That is why I have asked for 3,100 for this year as a move toward that 3,250.

Senator SCHATZ. Well, I think we are going to be able to—look, I do not know what we are going to be able to do in the——

Mr. DODARO. Right.

Senator SCHATZ [continuing]. Appropriations process, but I will say this. You know, from a liberal Democrat and a conservative Republican, I think there is broad bipartisan consensus about the need for accountability. And it is easy to say that in the political context, but this is where we can show that we mean it. And I think GAO and CBO both deserve the resources to make sure that taxpayer dollars are spent in an accountable fashion, and I will certainly do whatever I can.

Mr. DODARO. Thank you.

DR. HALL'S OBSERVATION OF CBO

Senator CAPITO. Thank you. I am going to start on a second round here.

Dr. Hall, I am going to give you a little softball here. You have been there a year now, and I wanted to know if you have made any observations that you would like to share with us in terms of efficiencies, changes you would like to make, ways that you could either be more helpful to Congress in the budgeting or maybe ways that Congress could be more helpful to you in helping you determine those figures. I just wanted to hear what your thoughts might be.

Dr. HALL. Sure. Well, two things come to mind. One is that we always have to anticipate legislation, and anticipating the work of Congress is not that easy, and sometimes we have to anticipate it quite a bit in advance. So allocating our resources around the agency is always a challenge. And there are times when we have really what I call peak load issues in terms of getting things done. But I think that is somewhat the nature of the job.

The other thing I think is taking the time for transparency in what we do. We can sometimes do a great deal of work in a fairly short amount of time, and it is very hard to take the extra resources to go ahead and explain it fully and transparently. And I think that is actually part of the feedback I have gotten coming in that CBO could be more transparent. And so then it is a matter of, I think, reallocating resources as well, that we take the time to try to document things a bit more clearly.

COMPREHENSIVE ADDICTION AND RECOVERY ACT

Senator CAPITO. Thank you. So I am going to ask you to educate me because I have an amendment on the CARA bill, the Comprehensive Addiction and Recovery Act that we are working on. We have a facility in Huntington, West Virginia, that was created by the community really to take drug-addicted babies out of the hospital—born with drug addiction—into a facility to give them treatment and recovery out of the hospital Neonatal, Intensive Care Unit (NICU). And so the way I am looking at this—and then also to give the Medicaid coverage to that—it is called Lily's Place.

So in putting this forward, I got hung up because according to the way the subcommittee looked at it, and I am sure in consultation with your experts, it was considered to be costing money because these babies are now in Lily's Place and getting reimbursed when the way I look at it is they are not in the Neonatal, Intensive Care Unit in the hospital, which has got to be a lot more expensive. And so we could never convince anybody to see it through my eyes. So how should I be looking at that? In other words, it could be a cost savings, and I think it would be a large cost savings.

Dr. HALL. Right. Well, you know, our role is almost always to sort of predict the future on these bills and what is really going to happen, and this is quite often an issue, I think, with health care for us is if you make a change and it increases spending by Medicaid or somebody else, we have got to then look at the issue of, as you say, will it have some savings later on. And we try to spend some time and try to consult with that. We have spent a lot of time looking at literature and research to sort of come up with reasonable estimates of what will happen in terms of savings, things down the line. And we really do try to take that into account. But a lot of it for us is trying to find real evidence that that exists and that that is actually going to—

Senator CAPITO. And if it has not occurred, you do not know.

Dr. HALL. That is right. And we have to do our best to try to make a realistic estimate sometimes that is difficult.

Senator CAPITO. Right. Well, I mean, yes. And I think that is the frustration that we feel sometimes on this side of the dais, that we feel like we are going in a direction that could actually result in saving the taxpayers dollars if we are looking equally at both sides.

And what you are telling me is we have got to have evidence-based information to back up that data, and if it has never occurred, how would you really know?

Dr. HALL. That is right. And one of the things we are willing to do is we are willing to take a look at the evidence that committees or Members have, what they have looked at or arguments that they have made because we really do try to take an independent look and look at all the evidence to try to make some sort of judgment. And in a sense, that is sort of why we exist is to make this sort of independent judgment that hopefully you find credible.

THE TAX GAP

Senator CAPITO. Yes, and I think you can appreciate in this budget environment that for us to have what we think is a good idea that would actually be better treatment, better results for the child, the family, and everything else, and possibly be able to save Medicaid dollars at the same time, the frustration—because any time you try to tag something on as an amendment, then the price tag then on your good idea goes out the window because of the budget environment that we are in. You know all that. I am just sort of reinforcing it.

So let me ask you, Mr. Dodaro, about the tax gap. Those are startling figures that you give, and I think you and I have talked about this.

Mr. DODARO. Yes.

Senator CAPITO. Three hundred billion dollars. What is the problem there? Why can we not get this money? Who has fallen down on the job and what—

Mr. DODARO. Yes.

Senator CAPITO [continuing]. Would you—I would like to make that a priority obviously. We all want to feel like we are paying our fair share, and when we hear that many people are not, it is frustrating to the American public.

Mr. DODARO. Yes. I am frustrated as well.

Senator CAPITO. Yes, you are paying your fair share.

Mr. DODARO. It is a broad-based problem. Actually, 84 percent of the \$385 billion tax gap is due to people underreporting their income. Another 10 percent are people who are not—

Senator CAPITO. Is that 80 percent, you said?

Mr. DODARO. Eighty-four percent are—

Senator CAPITO. Okay.

Mr. DODARO [continuing]. Underreporting. Six percent are people not filing at all. The other 10 percent are people where they have calculated the correct amount of taxes but they have not paid it all.

Senator CAPITO. Okay.

Mr. DODARO. The problem is in every tax that we have, individual income, corporate tax, employment taxes that are coming in, payroll taxes, as well as estate taxes and excise taxes. So it is broad-based. It is a multifaceted problem. The voluntary compliance rate right now as it has been for a number of years is 83 percent. Basically 83 percent of the American people are paying their taxes appropriately.

We have made many recommendations to Congress for statutory changes. Congress just implemented two, one as part of the Bipar-

tisan Budget Act, which is to simplify auditing for partnerships and make it more timely. That as estimated by Joint Committee on Taxation will bring in over \$9 billion. I have encouraged Congress and they have now allowed IRS to begin collecting the W-2 information from employers in January rather than April. Historically they just get it in April.

When people have to file their taxes, IRS does not have their W-2 information. This has allowed for identity fraud. The crooks file early. A couple years ago the IRS estimated they missed about \$6 billion in making fraudulent payments due to identity fraud. This will help on the earned income tax credit too. There is fraud in that area, as well as a high degree of improper payments. It is third right behind Medicare and Medicaid in the list of improper payments. We have encouraged greater electronic filing for corporations. We have encouraged more information-matching at IRS.

Where you have the greatest degree of people not paying their taxes is in situations without wage withholding. Where you have people who have their taxes withheld based on their wages, like most of the people, there is a high degree of compliance. It is where you have business income, sole proprietors, partnerships, and others.

Senator CAPITO. You pay quarterly and all that——

Mr. DODARO. Right, right——

Senator CAPITO. Yes.

Mr. DODARO [continuing]. But you do not have it withheld at the source of the income. So if you plot what degree of withholding there is versus the degree of compliance, it goes from a pretty high level of compliance down the scale to very low level of compliance in this area.

We have recommended that Congress regulate paid tax preparers. For example on the earned income tax credit back in 2014, GAO and the IRS found that almost two-thirds of the returns are prepared by paid tax preparers, most of which are not regulated by the IRS right now. The IRS found 40 to 50 percent made errors in their returns. We sent undercover teams around to 19 tax preparers, and only 2 of the 19 gave us accurate estimates on the amount of taxes that were really owed. Some of them were so far off they would have been subject to penalties at that time.

Oregon as a State has had regulation of tax preparers for a number of years. We found that a return filed by an Oregon tax preparer was 72 percent more likely to be accurate than a comparable return filed by a paid preparer anywhere else in the country. There is a good experience at the State level that could be expanded at the Federal level.

IRS did this. They acted on their regulations but they got sued and they lost in court. So they really need legislation to safely go about regulating paid tax preparers.

With regard to math authority, Congress could give IRS more authority if something does not match their administrative records that the government holds, they could fix the tax problem right at the beginning without starting an audit. People would have the ability to appeal at the time.

We have lots of recommendations. There is much more that could be done. That is what I would use additional resources on because you have this problem at every type of tax and——

Senator CAPITO. What is the percentage of people that file electronically? It is quite high in individuals.

Mr. DODARO. In 2015, IRS processed 145 million individual tax returns of which 125 million or 86 percent were filed electronically.

Senator CAPITO. I think it is——

Mr. DODARO. But it has been going up. It has been going up.

Senator CAPITO. I think it is.

Mr. DODARO. That has helped a lot, but if IRS does not have the W-2 information to match against the electronic return, they are at a disadvantage.

Senator CAPITO. What about in the area of subsidies in health insurance for underreporting of income? Have you done a study on that?

Mr. DODARO. We are going to be looking at that now. There has not been much of experience yet——

Senator CAPITO. Right, we just got through——

Mr. DODARO [continuing]. With the filing, the delay of the mandates, but we will be looking at that.

Senator CAPITO. Yes. I think that is going to be a large figure as well.

Mr. DODARO. Yes.

CENTER FOR AUDIT EXCELLENCE

Senator CAPITO. I think that is what we are anticipating.

Let me ask you about the Center for Audit Excellence. It was authorized in fiscal year 2015 in the enacted bill.

Mr. DODARO. Right.

Senator CAPITO. I think you and I have talked about this.

Mr. DODARO. Yes.

Senator CAPITO. How is that going? Are you getting as many customers as you thought? Are you collecting fees?

Mr. DODARO. Yes. We developed a business plan Congress had requested that was approved. We opened for business in October 2015. This month and next month we will be delivering seminars and training to State and local auditors. We have discussions underway with national audit offices on three different continents, Europe, Asia, and Africa. We have met with the State Department and USAID and we are about ready to sign an agreement with USAID to provide a mechanism for us to provide services to USAID missions throughout the world and with the State Department as well.

We will be collecting fees. It is about what I expected. We are also getting requests domestically. We have discussions underway with a State government audit organization and a U.S. territory to provide services as well.

We are going through the process of getting the mechanisms in place to sign the agreements. There are complications. International organizations are used to signing contracts with people. Well, we cannot sign a contract.

Senator CAPITO. Right.

Mr. DODARO. So we are working through the mechanics and it is going well. I am pleased so far, and I think it will be achieved. The goal is to be self-supporting through the fees. It is not causing any interference with our ability to provide service to the Congress. We are using re-employed annuitants to provide the services.

Senator CAPITO. Okay. So how does that work? You contract with them and then——

Mr. DODARO. Well, I have the authority to hire them——

Senator CAPITO. Hire them temporarily——

Mr. DODARO [continuing]. Directly as——so they are temporary GAO——

Senator CAPITO. Yes.

Mr. DODARO [continuing]. Employees.

DUPLICATION REPORT

Senator CAPITO. Yes. Okay. On the duplication report, the 2015 duplication report identified 66 new actions that Congress or executive branch agencies could take to improve efficiency and effectiveness. Since this was issued in 2015, have you done a follow-up with that to see how much of that has been followed?

Mr. DODARO. Yes.

Senator CAPITO. I mean, that is another frustration, I think——

Mr. DODARO. Yes.

Senator CAPITO [continuing]. Not just for the taxpayer but certainly for those of us policymakers to feel like you are just loading and duplicating on not really creating the efficiencies. What would you say about that?

Mr. DODARO. First, as it relates to the 66 new areas, as of November last year, 40 percent had either already been addressed or were partially addressed going forward.

Senator CAPITO. How many, 47?

Mr. DODARO. Forty, forty percent.

Senator CAPITO. Forty.

Mr. DODARO. Forty percent as of November. We will be reporting our annual update on April 13. We will give a further update of the progress that has been made. I am very pleased. You will see actions reported last year. About 30 percent have been already addressed by the Congress. We estimate, as a result of implementing our recommendations, there have been \$20 billion saved, about another \$80 billion that will be saved. About \$100 billion so far. We will be updating that. It is going to be more. A number of these suggestions have been embedded into the Bipartisan Budget Act and the Consolidated Appropriations Act.

Now, there are many open recommendations. There are plenty of opportunities to be frustrated about things that should be done that are not done yet. There are tens of billions of dollars in additional savings that could accrue as a result of implementing the open recommendations. We keep an annual scorecard. We have a public website, an action tracker that tracks all these things so Congress and the public can go there and see exactly what the status is and our regular updates.

Senator CAPITO. Well, as a follow-up to that, I know you put out an annual report every year. Now that you have sort of a dynamic dashboard sort of thing on here——

Mr. DODARO. Right.

Senator CAPITO [continuing]. Do you find that the annual report is still really necessary or is that creating a lot of maybe antiquated work?—

Mr. DODARO. Yes.

Senator CAPITO [continuing]. How do you feel about the annual report?

Mr. DODARO. We have been working with the appropriate committees to get agreement that we would publish a biennial report. We do our regular list of high-risk programs—

Senator CAPITO. Right.

Mr. DODARO [continuing]. Across the Government with the beginning of each new Congress. In the off year we do the overlap and duplication report.

Senator CAPITO. Right.

Mr. DODARO. In the meantime, we would keep the Web site up-to-date so Congress can always tap that if it would like to implement the recommendations to save money.

Senator CAPITO. All right. Well, that makes sense. That makes sense.

So I have learned that Senator Schatz is not going to be returning, so I could sit here all day but we do not really need to do that. I appreciate both of you coming.

In terms of transparency, Dr. Hall, thank you for your commitment to that for the future, and we can work together with all the relevant committees to make sure we all understand the very complicated process that you go through and the great help that you do for us.

And thank you for saving the taxpayers. We have still got a lot of work to do there, but hopefully, we can be supportive of maybe not all your budget requests but a great deal of it.

So this would conclude the Legislative Branch Appropriations Subcommittee hearing regarding fiscal year 2017 funding for the CBO and the GAO.

Thank you both, and the hearing record will remain open for 7 days allowing members to submit statements and/or questions for the record, which should be sent to the subcommittee by close of business Tuesday, March 15, 2016.

SUBCOMMITTEE RECESS

The next hearing of this subcommittee will be held on Tuesday, March 15, at 3:00 p.m., in room SD-192, Dirksen Senate Office Building, where we will hear testimony from the Library of Congress and the Architect of the Capitol regarding fiscal year 2017 budget requests for those agencies.

Until then, the subcommittee stands adjourned.

[Whereupon, at 3:48 p.m., Tuesday, March 8, the subcommittee was recessed, to reconvene March 15, at 3:00 p.m.]